Service Date: August 23, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA
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| IN THE MATTER of the Application of MONTANA-DAKOTA UTILITIES, INC. for Authority to Establish Permanent Increased Rates for Electric Service in the State of Montana. | ) UTILITY DIVISION<br>)<br>) DOCKET NO. 83.9.68<br>)<br>) ORDER NO. 5036b |

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## ORDER ON MOTION FOR RECONSIDERATION
## FINDINGS OF FACT

1. On July 2, 1984, the Commission approved Order No. 5036a, which disposed of all matters then pending in Docket No. 83.9.68.

2. On July 20, 1984, the Montana-Dakota Utilities Company (MDU or Company) filed a Motion for Reconsideration concerning the following revenue requirement issues:

(1) Post-Test Year Plant Additions
(2) Unamortized Gain on Reacquired Debt
(3) Cost of Equity
(4) Expenses for EPRI Research and Development
(5) AFUDC and Depreciation Expense for Coyote Plant
(6) Captive Coal

3. MDU also requested reconsideration of various rate design issues.

### POST-TEST YEAR PLANT ADDITIONS

4. The Company argued on reconsideration that this rate base reduction adjustment of $633,967 and the related net decrease in operating expenses of $23,365 is barred by the prohibition against arbitrary and capricious agency action.

5. At stake here is the consistent application of the historical test year concept. As discussed in Paragraph No. 56 of Order No. 5036a in this proceeding, if an historical test year is going to have any validity, proper matching must occur between revenues, expenses, and the plant which produced such revenues and expenses. Mr. Clark of MCC showed

that inclusion of post-test year plant additions would not only affect the average rate base amount, but also would cause changes in the net operating income. All these changes would serve to destroy the usefulness of the historical test year from a matching standpoint. The Commission, however, believes that the historical test year must be preserved to insure proper matching and, therefore, post-test year major plant additions cannot be added to rate base. MDU's motion, therefore, is DENIED.

6. The Commission's decision to recognize certain known and measurable changes while disallowing inclusion of major plant additions in rate base beyond the end of the test year is not discriminatory to MDU or an example of "picking and choosing" to the benefit of the ratepayer. Known and measurable changes should and do work both ways in the rate making process. The Commission has allowed, for example, the analyzation of known labor expense increases beyond the end of the test year in an effort to recognize a known and measurable change. Such adjustments result in effective rate making dedicated to the principal of allowing a utility a reasonable opportunity to earn its allowed rate of return, while not jeopardizing the matching concept of the historical test year.

UNAMORTIZED GAIN ON REACQUIRED DEBT

7. The Company argued on reconsideration that this rate base reduction adjustment of $218,562 is a confiscation of MDU's property and is arbitrary and capricious.

8. As stated by MDU on page 11 of Appendix A of its Motion, "The FERC in its seminal decision, Re Manufacturers Light and Heat Company, 84 PUR 3d 511, declared that since the ratepayer paid the interest cost associated with the bonds,

the ratepayer should enjoy the benefits associated with the transaction. " Deducting the unamortized balance of the gain on reacquired debt from rate base provides the ratepayer with the total benefit, as determined to be proper by the FERC. If this Commission ignored the unamortized balance, MDU's stockholders would share in the benefits of this transaction and, therefore, deprive the ratepayers of realizing the full benefit. MDU's motion, therefore, is DENIED.

## COST OF EQUITY

9. The Company argued on reconsideration that the approved cost of equity of 13.35 percent is incorrect and when incorporated into MDU's rates results in a confiscation of MDU's property in violation of the due process clauses of both federal and state constitutions.

10. The Commission concludes that the approved cost of equity of 13.35 percent represents a reasonable level. Concerning MDU's argument in its motion for reconsideration that its incremental cost of long-term debt is 15 percent, the Commission finds that the incremental cost of debt for A-rated utility bonds has been varying to a degree that no particular trend can be determined. In making this analysis, the Commission believes that data supplied in written and oral testimony provides the proper basis for decision. Dr. Fitzpatrick's rebuttal schedules update data through the end of 1983, which encompasses the available data at the time of the hearing in January of 1984. MDU witness Dr. Fitzpatrick provided in his rebuttal testimony a schedule showing public utility bond yields for 1983. This exhibit shows A-rated utility bond yields for December of 1983 to be 13.5 percent, but looking at the recent months' data before December shows that no real trend for A-rated bond yields can be determined:

September, 1983 13.42%
October, 1983 13.25%
November, 1983 13.13%
December, 1983 13.5%
(MDU Exh. JJ, Sch. DBF-3, p . 1 of 1)

Indeed, if a trend were to be derived from all months shown on that exhibit, it appears to be generally downward.

11. MDU's chart of corporate bond yields, supplied in Appendix A of its Motion for Reconsideration, updates to June of 1984. As previously stated, the Commission believes that a cutoff date for updating data is necessary and that the data available at the time of the hearing (through December, 1983) constitutes the proper basis for making a reasonable decision. Even with that preface, the Commission finds support for the approved equity cost level of 13.35 percent, as being a reasonable level, in this MDU chart. The chart shows that for the 12 months ending June, 1984, for A-rated utilities, the high yield for long-term bonds was 15.13 percent, and the low yield was 11.50 percent. This is a large range and shows the volatility of the market.

12. In making this decision, the Commission emphasizes that the unqualified proposition that equity must always be above the incremental cost of debt is not necessarily acceptable. Generally, that statement or theory may be correct, but exceptions certainly have occurred in recent years. The Commission is constantly aware of and sensitive to a utility's incremental cost of debt, but because of the volatility of the market or any of a number of other considerations, the Commission's approved cost of equity may not, at every point in time, be above a utility's incremental cost of debt.

13. The Commission carefully reviews cost of debt as one

measure of reasonableness with regard to cost of equity. This is especially true in cases such as this where certain periods of incremental debt cost coincide with, or even exceed, the determined cost of equity. Upon reviewing the record, however, the Commission is satisfied that a 13.35 percent return on equity is within a range- of reasonableness with respect to this measure and others presented in this proceeding. MDU's motion, therefore, is DENIED.

## EXPENSES FOR EPRI RESEARCH AND DEVELOPMENT

14. The Company argued on reconsideration that this expense reduction of $10, 091 is incorrect.

15. Upon further scrutiny of the record, the Commission agrees with MDU that, since 1983 dues are based on 1981 loads and sales which results in a two year lag in the calculation of EPRI dues, a categorization of the increased dues as being based on future load growth is improper, and any increase in net revenues as a result of that load growth would have been fully reflected in the test year data. The Commission, therefore, GRANTS MDU's Motion for Reconsideration concerning EPRI research and development dues.

## COYOTE PLANT

16. The Company argued on reconsideration that the treatment of the Coyote plant, while allowing the previously disallowed portion into rate base, was unfair for not allowing all related costs and accruals to be reflected in rate base and cost of service. MDU also requested that it be allowed to compound AFUDC on the disallowed AFUDC accrual from January 1, 1984, through June 30, 1984, until the total amount is reflected in rate base in the next MDU rate filing.

17. Concerning MDU's motion to include into rate base and cost of service all Coyote-related costs and accruals, the Commission disagrees with the Company's "either/or" proposition. The historical test year concept is paramount in determining the proper treatment of the previously disallowed portion of Coyote and the subsequent, accrued costs. Going beyond 12 months after the end of the test year would violate the test year concept, regardless of the origin of the costs (refer to Order No. 5036a, Finding of Fact Paragraph Nos. 67-84; 120-125). Had the filing been within the first three months of 1983, all of the accrued costs would have occurred within 12 months after the test year and would have been acceptable. MDU's Motion for Reconsideration concerning inclusion of post-1983 Coyote-related costs and accruals is, therefore, DENIED.

18. Concerning MDU's request to compound AFUDC on disallowed AFUDC accrual from January 1, 1984, through June 30, 1984, until the total amount is reflected in rate base in the next MDU rate filing, the Commission generally agrees with this proposal with some alteration. Rather than accruing AFUDC on AFUDC, the Commission believes the proper treatment would be to allow the accruing of interest at 10.45 percent annually, the approved overall rate of return for MDU. This whole issue, then, would naturally be considered in the next general filing. MDU's Motion for Reconsideration concerning the accrual of interest on the disallowed portion of AFUDC, therefore, is GRANTED as adjusted above.

## CAPTIVE COAL

19. The Company argued on reconsideration that Finding of Fact Paragraph Nos. 165 and 166 should be withdrawn from Order No. 5036a, and that the coal expense reduction of

$347,000 is made in violation of the due process provisions of the United States Constitution and Montana Constitution, in violation of the fair hearing guarantees in the Montana Administrative Procedure Act, in excess of the power and jurisdiction of the PSC, and is arbitrary and capricious and not supported by substantial evidence.

20. Concerning the Company's motion to withdraw Finding of Fact Paragraph Nos. 165 and 166 of Order No. 5036a, the Commission agrees that some adjustment is acceptable. The Commission, therefore, finds it proper to eliminate the last sentence in Finding 166, a measure which should address MDU's major concern in this issue.

21. In its reconsideration discussion, MDU stated that it did not create Knife River Coal Company but that Knife River was a fully operational coal company when purchased by MDU in 1945. The Commission, upon checking the record, agrees that Knife River was acquired, rather than created. This distinction, however, is irrelevant in determining the necessity of a captive coal adjustment. The major point in question is whether or not MDU's ratepayers are paying for an unreasonable level of coal expenses, which are the product of a subsidiary supplying coal to its parent either through direct contracts or participation as a generating partner. This issue also applies to MDU's argument that this adjustment is improper because Ottertail Power Company negotiated the best possible coal contract with Knife River. MDU's argument ignores the overwhelming fact that its subsidiary is supplying coal to MDU which resulted in excess profits during 1982, as discussed by the Commission in the captive coal section of Order No. 5036a.

22. In its discussion of the Commission's captive coal

adjustment, MDU presented four reasons as to why the adjustment is improper. In this Order, the Commission will address each of MDU's concerns:

A. "The PSC has proceeded in violation of the guarantee to MDU of due process of law."

23. MDU argues that the adjustment to coal expenses performed by the PSC is an entirely new method of determining the reasonableness of coal expense and was not presented or discussed during the hearing, thus depriving MDU of the opportunity to present rebuttal testimony or cross-examine the authors.

24. The Commission emphatically rejects these arguments. The method used to determine the reasonableness of coal expense is certainly not new, as very similar methods were used in the Montana Power Company (MPC) Docket No. 82.8.54 and the Pacific Power and Light Company (PP&L) Docket No . 83.5.36. The Commission analyzed all the data and evidence presented in this proceeding in order to determine the proper level of coal expense. The Commission then utilized all that data and analysis in making the decision which necessitated the use of the approved method, a method which reflects data presented in the proceeding. This approach of acquisition, analysis, and application of evidence is prevalent in all Commission decisions, and is proper in determining a reasonable level of coal expense just as it is proper in determining a reasonable level of labor expense, for example.

B. Commission's decision is arbitrary and capricious."

25. MDU argues that using a rate of return methodology to determine a reasonable level of coal expense is arbitrary and

capricious because the "PSC has frankly admitted the inadequacies of Dr. Wilson's proposed adjustment to coal expense and the fact that MDU proved that a competitive marketplace existed, Finding of Fact 144. " (MDU Motion, p. 9)

26. The Commission rejects this either/or argument that the Commission must totally use one methodology or the other. The fact that Dr. Wilson's methodology has inadequacies does not prevent the PSC from adjusting his basic rate of return approach so that the proper analysis can be performed. Rejection, therefore, of portions of Dr. Wilson's methodology does not force the Commission to depend on the Company's marketplace analysis. Simply put, proper rate making procedures do not require an either/or approach in decision making. For further discussion, refer to Finding 24 of this Order. The Commission would also point out that our determination that MDU's "approach was fairly thorough" does not amount to an admission that MDU established a competitive marketplace. No such finding was made. The most that could be said is that the Commission found determination of a competitive marketplace extremely problematic.

C. "There no substantial evidence to support the Commission's decision."

27. MDU argues that since the adjustment performed by the PSC was not presented at the hearing, there is no substantial evidence to support it, and that the PSC adjustment is based on several factual errors.

28. The Commission rejects these arguments. The decision and methodology approved by the Commission in this proceeding was based on the record in this case and represents a further

refinement to the MCC rate of return approach proposed in such Dockets as MPC 82.8.54 and PP&L 83.5.36. This approach has largely been adopted in those prior cases. The Commission used actual Knife River 1982 financial data in making this analysis, data which Dr. Wilson also used in making his recommendation (see MCC Exh. 5A, Exh. JW-10).

29. MDU's argument that the adjustment should not apply to the coal supplied to the Big Stone and Coyote generating stations because that coal is supplied as a result of an arms-length transaction negotiated between Knife River and Ottertail Power Company (Ottertail) must also be rejected. The fact that MDU is a participating owner in the Big Stone and Coyote plants, which consume Knife River Coal, necessitates that the Commission carefully scrutinize these coal costs that are being charged to MDU ratepayers. The Commission's major concern is the level of expenses that MDU's ratepayers are being reasonably charged, regardless of the claim that the subsidiary is supplying its parent with fuel as a result of an arms-length transaction negotiated by a generating partner. This cost must be closely scrutinized because of the parent/subsidiary relationship.

30. MDU's argument that the natural resource (fuel) companies are not necessarily comparable to Knife River must be rejected. The Commission recognized the weaknesses in Dr. Wilson's comparables and chose to utilize the coal industry as a whole, including MDU's recommended company, BaukolNoonan. This approach is reasonable and proper because Knife River is certainly a part of the coal industry and should be comparable to the industry as a whole.

D. "The Commission does not have jurisdiction to indirectly regulate Knife River. "

31. MDU argues that the PSC cannot regulate the profitability of Knife River Coal Mining Company or adjust the coal expense unless it can be shown that Knife River overcharged MDU for the coal it provided.

32. The Commission rejects MDU's arguments. The Commission, as stressed in Order No. 5036a, is not attempting to regulate Knife River Coal Company, a non - utility operation. The thrust of this adjustment is to ensure that MDU's ratepayers are paying for reasonable coal costs. A subsidiary of MDU earning approximately a 22 percent return on coal sales to its parent hardly seems reasonable to this Commission, given the average industry returns of coal companies. MDU's ratepayers should not be held financially responsible for such excess profits. In its Motion (p.11), MDU stated that Knife River is a profitable company, and a 1982 equity return of 22 percent
certainly supports that statement. The Commission, however, believes that such high profits should not be borne by MDU ratepayers beyond a reasonable level, based on an average of equity return for the coal industry.

33. Based on the above discussions concerning the Commission's captive coal adjustment in Order No. 5036a, MDU's Motion is DENIED.

## COST OF SERVICE AND RATE DESIGN

34. In Order No. 5036a the Commission set forth how MDU should develop class revenue requirements . In turn, the Commission provided direction to MDU to make certain rate and rate design revisions to nearly every rate schedule.

35. In its July 20, 1984, Petition For Reconsideration, MDU submitted a number of cost of service and rate design motions for reconsideration -requests of the Commission to revise its original order. MDU also submitted a number of suggested changes. The Montana Consumer Counsel did not submit a motion for reconsideration on rate design issues.

36. On July 24, 1984, subsequent to filing and approval of tariffs resulting from Order No. 5036a, MDU notified the Commission of an error in its cost of service study. Specifically, an error was made with the Mandatory Industrial TOD customer class billing determinants (MDU incorrectly used 39,603 kw as the industrial class' coincident peak; 19,820 kw should have been used), resulting in a 48.3 percent increase in revenue responsibility for the class. Correction of the error lowers this class' increased revenue responsibility from 48.3 percent to 17.2 percent; the revenue requirement of all other classes except Private Lighting (this class' revenue requirement was frozen), rises to compensate for the correction of this error.

37. In view of the magnitude and mechanical nature of this error, the Commission, on its own motion, accepts the revised cost of service study, and finds that rates should be based on the corrected version. As a result, new tariffs will be required.

38. The Commission hereby acknowledges a procedural error on its part. On August 14, 1984, the Commission released a Notice of Opportunity for Public Hearing allowing parties to the docket an opportunity to comment on the Company's above discussed industrial billing determinant error; parties were given until September 15, 1984, to request a hearing on this issue. In retrospect the Commission finds that the only

necessary measure was to notify the Montana Consumer Counsel. Consequently, the rates from this order are final. If the MCC later expresses interest in the billing determinant correction, the Commission will address them in a separate proceeding.

39. Rate Impact Moderation. In its Petition For Reconsideration, the Company requested four modifications to certain class revenue requirements. The first request was to moderate the revenue requirement increase to the Irrigation customer class (Rate 25); this request stems from the resulting 90.3 percent increase in revenue requirements for this class (after correcting for the above discussed error the increase equals 107.6 percent).

40. The Commission finds merit in the Company's motion to moderate this class' increased revenue requirement. This class should receive an increase of 41.08 percent; this percent equals the highest percent increase received by the general electric class plus 10 percent. The Company must spread the revenues unrecovered from the irrigation class by means of a uniform percent increase to all other rates. This moderation will affect the rates discussed in this order.

41. The second request is to moderate the revenue increase to the industrial class; this request appears moot to the Commission given the Company's error with the industrial class' billing determinants. That is, surely a 17.22 percent increase in revenue requirement is not in need of moderation given the system average increase of 22.4 percent. For this reason the motion is DENIED.

42. The third request is to consolidate Controlled Water Heating (Rate 51) onto the appropriate residential (Rate 10)

and General Electric (Rates 20 and 22) rate schedules (Petition, pp. 17 and 18).

43. The Commission finds merit in and approves of this motion. This customer class should be abolished and the $23,500 class revenue responsibility prorated between Rate 10 and Rate 20 as proposed by the Company.

44. The fourth request is essentially to freeze -- not lower -- the Feed Grind customer class' revenue requirement (Petition, p. 15).

45. The Commission denies the motion to freeze this class' revenue requirement. Rates should be tariffed as close to costs as possible. Additionally, the effect of this decrease will have little consequence ($4,423 per year) on other rates.

46. Residential Time of Day. In Order No. 5036a, the Commission directed MDU to tariff a 100 percent differential between peak and off-peak energy rates (Finding No. 213).

47. MDU's petition states that, "past experience with an optional TOD rate containing a price differential in the two to one range has demonstrated almost a complete lack of customer interest. MDU believes that a price differential in the range of four to one is necessary to actually shift load off-peak" (Petition, p. 12).

48. From a review of the testimony it is clear that a range of cost/rate differentials exists. Drzemiecki's direct testimony features a 159 percent peak off-peak rate differential ( Exh. No. J. D . -5, p . 6) . Castleberry's testimony features peak/off-peak winter and summer demand

cost differentials of between 300 percent (winter) and 800 percent (summer); peak/off-peak energy cost differentials, however, are much lower, ranging between 23 percent (summer) to 67 percent (winter).

49. Based on the above evidence, the Commission finds the 100 percent differential adequate, and denies the Company's motion. The Commission notes that it is not trying to shift loads off-peak: the Commission's objective is to set rates as close as possible to costs. In its next electric rate case the Company should compute a weighted average peak/off-peak energy and demand differential for this optional time-of-day rate. Weights should equal the share of the total cost (¢/kwh) made up by demand and energy. Demand costs should be broken down into components affected by loss of load (e.g., generation) and those not affected (e.g., distribution).

50. Demand Metered General Electric. The Company's motion requests that the base rate be set at $5.05/mo . in lieu of $8.50 per Findings No. 221-223. Given the correction of the above Company error combined with the Company's July 24, 1984, work papers, this issue appears moot. The energy rates of 4.482¢/kwh (secondary) and 4.258¢/kwh (primary), combined with an $8.50 base rate and residual demand charge (about $3.28/kw), shall be tariffed.

51. Demand Metered General Electric Time of Day. The Company has requested revisions to the Commission's directed rate design to make the tariff more attractive to customers . MDU noted: " It should be realized, intuitively, that the price of energy (emphasis added) on-peak cannot be the same as the non-time differentiated price of energy" (emphasis added) (Petition, p . 13) .

52. Once more the Commission detects from MDU's petition that

there is an objective in time-of-day pricing of encouraging off-peak energy growth. This is not the Commission's objective. The Commission illuminates for the Company its own findings on peak/off-peak energy cost differentials: The winter energy cost differential is less than 70 percent and the summer falls around 20-26 percent (See Order No. 5036a, Table 1, p. 73). The Commission's finding is that an average 50 percent cost differential exists (ibid, Table 2, p. 74).

53. The Commission finds that if MDU wants to encourage off-peak growth, it will have to be via cost-based energy and demand rates. The Company could, in its next electric rate case, propose time-of-day differentiated demand charges. That is, it should be intuitively clear to the Company that, based on its own cost study, a major source of peak/off-peak cost variation lies with demand and not energy (see Castleberry's loss-of-load-probability results on Exhibit JKC-3 p. 1). In addition, the Commission would note that there is an off-peak energy rate on Rate 26, but not on Rate 22.

54. Evident from a comparison of the existing tariff and either the Company's July 11, or July 24, 1984 work papers, is the Company's opinion that the tariffed base rate should not equal the associated cost in developing class revenue requirement: that is, the tariffed rate is greater.

55. The Commission finds that the base rate that appears on the tariff must also appear in the work papers when designing rates.

56. Irrigation. In its order the Commission directed MDU to tariff a base rate ($8.50 once adjusted to 1985 dollars), an average summer energy rate of 2.334¢/kwh and a residual demand charge ($/kw/month).

57. The Company's motion, aside from requesting moderation of the revenue impact, requests reconsideration of its minimum seasonal bill provision arguing: "The minimum bill provision in the old rate was explicitly designed to insure recovery of the very substantial customer costs associated with providing such service" (Petition, p. 15).

58. The Commission finds merit in the Company's request to tariff a minimum seasonal bill. The irrigation rate design then will feature an energy rate of 2.334¢/kwh, a base rate of $8.50/mo., a demand charge of $2.50/hp/ mot of connected load, and a residual minimum seasonal bill per horsepower of connected load.

59. The Commission finds that this customer class should receive more attention in terms of load study analysis. The idea of charging for demand, and a minimum seasonal bill, on the basis of "connected load" lacks rigorous support. Given that the number of customers is probably less than one hundred (368 bills divided by five months), the Company should be able to identify customers whose loads exceed 10 kw per month (10 kw is the Company's apparent break-even point for demand metering General Electric customers).

60. The Commission expects that MDU will, in its next electric rate case, economically establish the break-even point for demand metering irrigation customers (as well as other customers, e. g., residential, General Electric, Feed Grind, etc. ) To this end, the Company's analysis should cover the relevant benefits and costs associated with demand meters.

61. Feed Grinding. Aside from the previously discussed request to not decrease this class' revenue requirement, the

Company requested that the demand charge be rolled into the cost of energy (Petition, p. 15).

62. The Commission finds merit in the Company's request. A demand charge, if tariffed, would be around 11¢/kw. This class' rate design, as a consequence, is similar to that for non-demand metered general electric customers.

63. Industrial Mandatory Time of Day. Aside from the moot issue of moderating this class' revenue requirement, are two rate concerns, one of which was raised by MDU in its petition

64. First, MDU requested in its petition an increase in this class energy rates and a decrease in the Commission-directed residually calculated demand charge. With the Company's correction of the error in its analysis this issue appears moot. That is, the corrected residual demand charge is no greater than $7.05/kw (with the Company's error the charge would have exceeded $14.00/kw) . The Commission would note that the actual marginal costs of demand are well in excess of $7.00/kw: from Table 5 (Order No. 5036a) the total demand cost for primary voltage level customers equals $12.06/kw/mo

65. As with Rate 26 above, the Commission detects a difference in the Company's tariffed base rate ($30.00) versus the associated cost in the Company's work papers (either the July 11, or July 24, 1984 work papers). The Commission finds that the Company must be consistent and use a $30.00 base rate on each. As stated in the Commission's order (Finding No. 245), the energy rate should be set next and the demand charge computed residually. The Commission would note that the on-peak energy rate should equal 4.064¢/kwh (Finding No. 245 of Order No. 5036a) and not 4.046¢/kwh as suggested in the Company's Petition (p.16).

66. Municipal Lighting. In its order (Findings No. 247-252), the Commission directed MDU to abrogate existing contracts and use these costs to establish a differential in energy rates between company and customer owned street lights.

67. The Company requests reconsideration of the Commission's decision arguing that: "There is no compelling reason or policy for expressing these rental charges as a component of the unit cost of electricity" (p. 17). The Company requests that rental revenues be raised through the existing contract structure.

68. Because of the possible impacts and the underdeveloped state of the record on this issue, the Commission finds on reconsideration that the rental revenues should be recovered via the existing contract structure. This area will be explored in the next general rate case.

69. Municipal Pumping. In its motions for reconsideration the Company has requested that, in lieu of the Commission's direction in Order No. 5036a, the demand charge and base rate be fixed and the energy rate be computed residually.

70. The Commission finds this proposal to lack economic sense. In any case, from the Company's corrected work papers of July 24, 1984, it is clear that the direction in the Commission's Order No. 5036a can be followed without generating the concerns raised by the Company in its Petition. That is, the base and energy rates can be established first and the demand charge computed residually. The resulting rates approximately equal 3.367¢/kwh for energy, $4.50/month for the base rate and $1.34/kw for demand.

## CONCLUSIONS OF LAW

1. The Applicant, Montana-Dakota Utilities Company, furnishes electric service to consumers in Montana, and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. §69-3-101, MCA.

2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. §69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.

3. The Commission has provided adequate public notice of all proceedings and opportunity to be heard to all interested parties in this Docket. Title 2, Chapter 4, MCA.

4. The rate level and rate structure approved herein are just, reasonable, and not unjustly discriminatory. §69-3-330, MCA.

## ORDER

1. The Montana-Dakota Utilities Company shall file rate schedules which reflect the Findings of Fact in this order. These rate schedules should include $10,091 revenue increase associated with EPRI dues, as discussed herein.

2. All motions and objections not ruled upon are denied.

3. In submitting tariffs complying with this order, MDU shall also submit detailed work papers detailing billing determinants, final rates, and revenues generated for the existing and resulting rate design of each class.

4. The Company shall on a separate sheet detail the actual number of customers taking service on its optional and mandatory time-of-day rate schedules .

5. MDU shall provide the Montana Consumer Counsel's witness Mr. James Drzemiecki copies of all resulting tariffs and work papers also provided to the Commission staff.

6. This Order is effective for services rendered on and after August 15, 1984.

DONE AND DATED this 15th day of August, 1984, by a vote of 3-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

_____

Thomas J. Schneider, Chairman

_____

Howard L. Ellis, Commissioner

_____

Danny Oberg, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.